

STRATEGY, STRATEGY, STRATEGY: HOW TO REALLY DRIVE YOUR BUSINESS FORWARD

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At many times over a number of years, our guest author Peter Noyce, Legal Sector specialist at Menzies, has extolled the virtues of having a clearly defined, joined up business strategy; not just for law firms but any business.

As Peter explains in the following extract from his book *Brighter Thinking for Law Firms*, "Your leadership team needs to be forward thinking, not just somehow predicting problems before they happen, but also spotting opportunities that will add value to your law firm and its business proposition. All business leaders have frustrations but it is how you deal with those and the solutions that arise that can really drive your business forward."

SWOT Analysis

I have always said that a regular SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis is an absolute minimum for any business. This will enable you to consider your own business (inward focus) but also what is happening around you. In any fast moving industry, and the legal sector falls into that definition, a combined internal and external focus is an absolute must.

Many management tools exist and whilst we at Menzies have specifically adapted elements for law firms these do not need to be over elaborate. These tools simply need to provide management with access to a documented and discipline-based recorded strategy. As I say if this is simply around a SWOT then you are at least basing your strategy on some kind of structured thinking. And perhaps even at that point ahead of the pack!

The
Strategic
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All businesses do have a choice, to do nothing and inevitably see a reduction in the Capital Value of their business or evolve / change / take a good look at themselves to both de-risk and increase profit if possible and therefore increase the Capital Value of their business. The term Capital Value is unfortunately a term alien to the legal sector. As I say elsewhere in this book it's not about what shall we do with our profit, it's when can we draw it out. The thought of Capital Value is often only considered once and that is when (often) a group of partners are about to hit retirement and they wonder how much they are worth? The answer is probably nothing, on many valuation techniques, as no one has actually planned for that event.

De-Risking And Increasing Capital Value

The aspect of de-risking has generally been understood by the law firms in respect of Professional Indemnity and is referred to in that respect in the Chapters on that subject.

As last year's Law Society report into the future of legal services also suggested, any business, law firm or otherwise that does not look to evolve and plan for the future will (to paraphrase) at best suffer a reduction in sustainability and possibly not even survive. A law firm's strategy needs to conceptually embrace the notion of increasing value. I must say it's like speaking at Seminars and Conferences, those that are attending and "taking part" do actually "get it". Businesses that are prepared to invest time and effort into their strategies and their business are the ones that are generally more fluid and have management structures that allow the business to evolve and succeed.

There are no more passionate people about a business than the stakeholders, owners and key management and therefore it is an honour to be allowed to join them in taking apart their business, the different layers and drilling down into their business, its component parts and tweaking it (that's often all it takes) for the better. As a starting point on that "roadmap", this is what a detailed SWOT analysis for a law firm should do as the infographic below highlights:

INTERNAL FACTORS
Situations within the business

STRENGTHS

Anything you have or do that helps a business be successful.

For example, links with key local referrers or international capabilities through an established network.

WEAKNESSES

Anything a business does not have or can not do which is prohibiting the success of the business.

For example, key service line under-resourced, succession issues looming or poor Professional Indemnity claims record.

OPPORTUNITIES

Any positive situation that you could use to achieve successful outcomes for the business eg. Increase in market demand; new markets emerging; competitors leaving market.

For example, weak competition in your local area, niche service line or Brexit.

THREATS

Changes in external circumstances which could have a negative impact on the business.

For example, changes in government policy or Brexit.

EXTERNAL FACTORS
Situations outside of the business

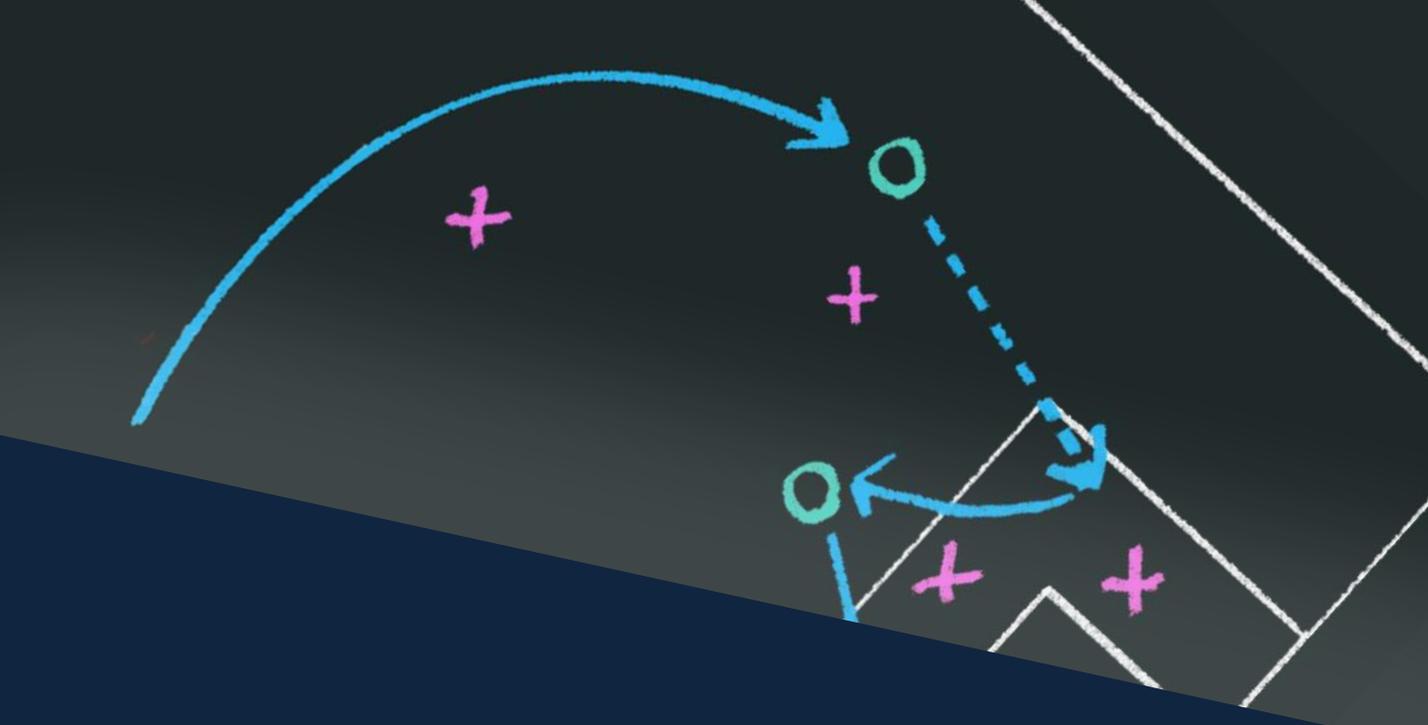
Following Best Practice

In drilling down further, the areas of a business that we look at would surprise nobody and are covered in many of the Chapters that follow but it's the underlying questions and the drilling down to produce the actual plan to improve areas of the business which is crucial. The devil is often in the detail of any law firm's business; often working practices are excellent, often documented but sadly not followed. A Senior or Managing Partner will believe that, perhaps:

- Business development is focused, carried out when supported by business case;
- Business development is aligned to overall strategic plan;
- Production statistics are monitored weekly/monthly by department heads;
- Recoverability ratios are reviewed weekly/monthly by department heads and action taken if trend indicates uneconomic work be carried out;
- Debtors being handed over to credit control teams if greater than 60 days old.

Unfortunately once any firm drills down, many of these excellent processes and controls are wasted if they are not actually being carried out as believed and the firm as a whole could be suffering not just from a profit perspective, but almost certainly from a cashflow point of view.

It is worth pointing out that not all firms have the necessary time, expertise and empowered personnel in-house to achieve such a detailed review and to be able to follow it through. The actions arising from any improvement plan need a discipline attached that is controlled by someone, whether internal or external. My only specific comment here is that if the fully empowered internal accountant or accounts team have been ineffective so far, they probably need an external help or voice to assist their work internally. It is all about changing behaviours, and sometimes an external voice can be useful to give that message, at least initially, to give the process a push or kick-start. But once again if the Partners and Senior Partner do not continuously live and breathe the controls and promote working practices, you might as well not have bothered in the first place!



About The Author

Peter Noyce is a Partner and Legal Sector specialist at Menzies LLP, an accountancy firm delivering traditional accounting services combined with strategic commercial thinking.



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